

Department of Social and Health Services

DP Code/Title: M2-9M Medical Inflation
Program Level - 030 Mental Health

Budget Period: 2003-05 Version: 11 2003-05 Agency Request Budget

Recommendation Summary Text:

This item funds inflation applicable to professional medical services and supplies purchased by the Department of Social and Health Services (DSHS) programs as an integral component of services provided to agency clients.

Fiscal Detail:

Operating Expenditures

	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Program 030			
001-1 General Fund - Basic Account-State	1,530,000	3,153,000	4,683,000
001-7 General Fund - Basic Account-Private/Local	85,000	174,000	259,000
001-C General Fund - Basic Account-DSHS Medicaid Federa	1,194,000	2,462,000	3,656,000
Total Cost	2,809,000	5,789,000	8,598,000

Staffing

Package Description:

The general inflation rate for medical services is estimated to average 4.4 percent annually over the 2003-05 Biennium. This estimate represents a composite rate comprised of changes in costs for a number of medical services and supplies. In this request, DSHS is making a distinction between the component or components of medical care (i.e. physicians, hospitals, drugs) and has applied corresponding estimated inflation rates for these services. The medical care services/goods and corresponding rates by program are as follows:

Medical Care Inflation = 4.4 percent
(US BLS CPI-U - Seattle-Tacoma-Bremerton, WA MSA - 2001)

Physician Services = 3.6 percent
(US BLS CPI-U - U.S. City Average - 2001)

Hospital Services = 3.1 percent
(CMS Hospital Prospective Reimbursement Market Basket - 2nd Quarter 2004 Forecast - DRI)

Drugs = 5.4 percent
(US BLS CPI-U - U.S. City Average - 2001)

Washington Medicaid Hospital Services = 6.3 percent
(Managed Care Rates - DSHS MAA Forecast)

Hospital Services = 6.6 percent
(US BLS CPI-U - U.S. City Average - 2001)

Health Insurance Premiums = 12 percent
(Office of Financial Management)

This step requests an inflation increase of 4.4 percent for State Hospital general medical costs, 5.4 percent for State Hospital pharmacy costs, and 6.3 percent for community inpatient costs.

This request is not duplicative of costs in the vendor rate base, nor does it include amounts for medical inflation related to

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forecasted programs.

Narrative Justification and Impact Statement

How contributes to strategic plan:

Necessary medical services for DSHS clients will continue to be available at present program levels.

Performance Measure Detail

Program: 030

**Goal: 04C Ensure public mental health works for most seriously,
chronically, mentally ill**

No measures submitted for package

Incremental Changes
FY 1 **FY 2**

Reason for change:

Recognition of these medical inflation costs will facilitate the department's ability to continue providing clients with current levels of service.

Impact on clients and services:

Funding will assure that affected client populations will get appropriate medical care at levels that are presently available.

Impact on other state programs:

All DSHS programs that provide medical services would be impacted.

Relationship to capital budget:

None

Required changes to existing RCW, WAC, contract, or plan:

None

Alternatives explored by agency:

No alternatives are proposed. The services involved require the expertise of qualified medical providers at specified costs. Generally, costs are related to medical examinations, lab tests, radiology, and other ancillary services.

Budget impacts in future biennia:

General medical inflation is currently projected at a per annum rate of 4.4 percent, with higher rates for some components such as drugs and hospitals.

Distinction between one-time and ongoing costs:

These are all ongoing costs.

Effects of non-funding:

Medical service providers may choose not to renew contracts with DSHS, charge higher rates for services to other

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populations of DSHS clients, and/or reduce the number of services they are willing to provide in an attempt to balance costs with available reimbursement. These actions could impact client access to care and the quality of the care received. Programs may attempt to cut costs/services in other areas in order to fund medical inflation-related incremental costs.

Expenditure Calculations and Assumptions:

This step requests an inflation increase of 4.4 percent for State Hospital general medical costs, 5.4 percent for State Hospital pharmacy costs, and 6.3 percent for community inpatient costs.

This request is not duplicative of costs in the vendor rate base, nor does it include amounts for medical inflation related to forecasted programs.

See attachment - MHD M2-9M Medical Inflation.xls

<u>Object Detail</u>	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Program 030 Objects			
E Goods And Services	593,000	1,218,000	1,811,000
N Grants, Benefits & Client Services	2,216,000	4,571,000	6,787,000
Total Objects	2,809,000	5,789,000	8,598,000

DSHS Source Code Detail

<u>Program 030</u>	<u>FY 1</u>	<u>FY 2</u>	<u>Total</u>
Fund 001-1, General Fund - Basic Account-State			
<u>Sources</u> <u>Title</u>			
0011 General Fund State	1,530,000	3,153,000	4,683,000
<i>Total for Fund 001-1</i>	1,530,000	3,153,000	4,683,000
Fund 001-7, General Fund - Basic Account-Private/Local			
<u>Sources</u> <u>Title</u>			
5417 Contributions & Grants	85,000	174,000	259,000
<i>Total for Fund 001-7</i>	85,000	174,000	259,000
Fund 001-C, General Fund - Basic Account-DSHS Medicaid Federa			
<u>Sources</u> <u>Title</u>			
19TA Title XIX Assistance (FMAP)	1,194,000	2,462,000	3,656,000
<i>Total for Fund 001-C</i>	1,194,000	2,462,000	3,656,000
Total Program 030	2,809,000	5,789,000	8,598,000